

KEEPING OHIO FARMERS, INC.
A TOOL OF MODERN OHIO AGRICULTURE

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Last year each of you were selected by someone who had faith in you to participate in this clinic. On our first meeting, I complimented you on your being selected and then said that you would get out of this clinic just in proportion to what you put into it.

I cautioned you against expecting to obtain a list of things that if you were to do you would be a successful manager. I pointed out that management was many things to many people.

I told you that management training is a life long proposition. Technical knowledge of a business is no longer sufficient preparation for the job of managing. The manager of an Ohio Farmers Cooperative competing in today's dynamic competitive economy must be trained in processes of business management distinct and apart from his unique knowledge of the industry.

There are several different concepts of management employed in Ohio agribusiness. Not all managers, instructors of management, or management consultants accept the same concept of management. The process management concept was selected because it offers a broad conceptual framework of management. The "Process" concept of management is inclusive and applies to every type of enterprise and to every level within a given enterprise.

The manager must recognize that his firm may accept and follow a concept of management other than the Management Process concept used in this course. You were asked to determine what concept your boss used and to select the concept you would use as a manager.

The Management Process concept views management as the performance of certain activities that are basic functions of management. By basic, we mean that the functions of planning, organizing, controlling, staffing, directing, commanding, supervising, motivating, training, coordinating, delegating, evaluating, and correcting are invariably organic to and a distinct part of the managerial activity.

The performance of these basic functions distinguishes the management members of a firm from the nonmanagement members.

Presented by Dr. Charles H. Ingraham, Extension Economist, Business Management, Ohio State University, Columbus, Ohio, at the Ohio Farmers Key Man Conference, Findlay, Ohio, January 6, 1976.

The Process concept of management emphasizes getting things accomplished by people working in organized groups.

This concept considers the management process as universal, regardless of the type of enterprise or the level of the management position within the enterprise.

This approach to management is broad and inclusive and draws on knowledge from many different fields of science and art; however, there is no attempt by those who accept the Management Process concept to encompass the entire field of management knowledge.

Other popular schools of Management Concepts are: Management Experience, Human Behavior Social System, The Mathematical Concept, Decision, Economic Analysis and Accounting.

To many people, you are owners, customers, salesmen, bankers, the public, and the co-op you work for. You are your co-op twenty-four hours a day, seven days a week. You must sell yourself first, then you can sell the cooperative, then you can sell feed or fertilizer. As a manager, you must also sell yourself to your employees.

You never get a second chance to make a good first impression. Your appearance, your sincerity, your manner, your enthusiasm all go into selling yourself.

We all like to feel important because we are. As a manager you must take time to sincerely know your employees and to know what they are doing and how they are doing.

Friendly praise is important but continues to be important only if the giver is sincere. Every man has a right to his opinion no matter how stupid it is.

To manage you must have objectives. The foundation for any successful agribusiness should be current and well-developed company objectives and goals. These should be to the board and hired management what the compass is to the navigator--a basis for charting a course, and a means of determining when the firm is off that course.

Objectives are statements of purpose which define what the owners believe to be the firm's mission.

An agribusiness firm should have objectives that represent a satisfactory integration of the aims and the needs of all major groups involved: employees, stockholder or members, consumers, and suppliers.

Objectives are required in every area where performance and results directly and vitally affect the survival and prosperity of the business. This means each administrative unit within a firm, as well as the enterprise as a whole, should have objectives.

Objectives should help to:

1. Record the direction the company should take.
2. Predict behavior of each unit.
3. Appraise soundness of decisions when they are being made.
4. Improve overall business performance.
5. Provide a basis for internal control.

We need to plan and establish goals that will lead us toward our established objective.

Every agribusiness needs attainable goals toward which the resources of the firm are directed. Goals are benchmarks of progress desired. They represent steps in reaching company objectives.

Goals are time-oriented and are one method of exercising control. Objectives, however, are not time-oriented.

Goals are derived after objectives have been formulated and are based on courses of action to be taken in a specific period of time.

- Goals:
1. Require integration of plans.
 2. Provide direction for planning.
 3. Help avoid conflicting and unproductive programs.
 4. Provide a basis for control and evaluation of progress.

No one can work very long as a manager and not be aware of the importance of policies. They affect the manager's decisions at every turn. They enable him to solve problems which he would otherwise have to refer to higher authority. They enable his subordinates to make decisions which they would otherwise have to refer to him. They assure consistency in decisions. They make it possible for an organization to work together toward the goals and objectives established (and, hopefully, communicated to the entire organization) by top management.

Managers at all levels within an agribusiness are often delegated authority to formulate policies for their own departments or sections, particularly as the policies concern the work. If communications are in good working order, the manager influences many of the policies established by the board of directors.

Policies are intended to guide and direct managers and to make it possible for everyone in the organization to work together, according to the firm's established viewpoints, toward its objectives and goals. Policies are part of the function of planning. An understanding of how they originate, what their purpose is, and how to administer and control them, is essential to an understanding of modern management.

Policies are statements in general terms, which serve as guides to consistent decisions in recurring situations.

Policies give direction to plans. Policies are a road map which management can follow to reach goals and attain objectives. Policies are not detailed and specific; they are broad and general, leaving room for interpretation and the exercise of judgment and initiative.

Management is thinking and acting. Management is a unity process, with all functions working together, the manager does not do one function today then tomorrow another function.

Everything the manager does effects something else. Long-range plans are a part or result of short-range plans.

The successful manager is a problem preventer. Some say a manager is a problem solver and if one is rewarded for solving problems he may create problems to solve.

As you progress up the ladder of success, it will be a challenge to you to give up the last job you held. As you move up, there will be less doing and more thinking.

At all levels people do the same function. The only difference is the magnitude of the decisions--buying pencils or buying trucks.

The manager is a coordinator.

We are living in a time that may prove to be the most difficult and challenging for all cooperatives and possibly the most rewarding for some cooperatives of any period in history. We are living in a time of changing facts. Many of the facts you and I used yesterday as a basis for our words and actions are not facts today. For example, we in agriculture have associated bigness with bad--farmers were second class citizens with a low standard of living--farmers were poorly educated--clabber milk was fed to hogs--new technology was good if it meant more production and better quality food.

Farmers have put it all together; they have attained their goal of a standard of living equal to others in our economy. We sell yogurt to our city cousins. Farmers have lost DDT and some of our other productive technologies to unfounded claims that they failed to challenge. Cheap fuel that we used to replace muscles with is gone. Co-ops have become inflation fighters rather than depression fighters.

I have taken my text from an unimpeachable source, President Abraham Lincoln. You may recall that in his inaugural speech he answered critics of some of the changes he proposed with an observation that went about like this:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise to the occasion. As the case is new, so we must think and act anew."

Someone also reminded me that Lincoln also said, "The world will little note nor long remember what we say here."

Cooperatives are operating in a "new ball game." There is no co-op manager of the past or present that has ever managed in an economic, social or political climate such as cooperatives are operating in today. In view of this new challenge, a manager, regardless of the type of business he manages, must put management--what it is and what it is all about--in the proper perspective. There are two areas of knowledge a manager must master: (1) The nature of the business he is managing; and (2) The principles and techniques of management. Don't misunderstand me when I say the nature of the business he is managing. I did not say technology of the business; I said the nature of the business. As a cooperative manager, you need to know how a co-op functions in our competitive economy.

There is no question about the success of those managers up to this time whose main interest was in a specialized area such as production, grain, feed, sales or finance. Those in the past who have done well without specific, organized or conscientious management training have done so because few others with whom they competed were any different and social and economic conditions and the number and scope of regulations were much different than today. In fact, for the most part they were nonexistent.

Cooperative directors, cooperative management, you and I have too often considered criticism of the cooperative as criticism of our performance. Thus, we have become defensive. We can justify our defensive reactions by citing examples of charges and press releases by anti-cooperative groups that have been most unfair and unfounded. Yet, I feel we must take a look at ourselves and our cooperatives and see how we can improve to better serve farmers.

What is a co-op? We see things, form opinions and establish viewpoints based upon our experiences. Since we here today work in similar situations, we should see co-ops quite similarly. If we were to ask the question, what is a cooperative, to the other managers of cooperatives back in your county, how would they answer this question? I have found that those who have experience as manager of a milk cooperative that bargains for price have an answer different than the PCA manager whose answer is different than that given by the REC manager whose answer is often different than yours.

How do your employees answer the question what is a cooperative? I believe one of our problems is that we do not have one set of theory of cooperatives that is acceptable to all. What is a true cooperative? I for one don't know.

We must each establish our own viewpoints about cooperatives. Let me share with you how I view farmer cooperatives as a tool of modern agriculture.

To me agricultural cooperatives are one of the many tools successful farmers have and are using to assist them in efficiently producing and marketing food and fiber. A tool that aids in providing consumers with quality food and fiber economically. To me the agricultural cooperatives are comparable to the farm tractor, a tool of modern agriculture--each requires skilled operators, sufficient energy to power it, good maintenance to be in top working condition, and they must be fitted for the job.

Many of our agricultural cooperatives started about 40 to 50 years ago in the days of the "Fordson" tractor. As the demands of agriculture outgrew the capabilities of the "Fordson," the demands farmers made on their cooperatives also brought about change. Cooperatives, like tractors, had to adjust and grow to remain effective tools for modern agriculture.

The old Fordson of the 1920's and '30's still has some of the basics common with today's modern farm tractor. They each have wheels, an engine, a transmission, a steering wheel, and a seat; but they are quite different in their appearance, size, power, adaptability and use as the engineers have designed the 1976 tractors to serve the needs of the farmers of 1976. The same is true for agricultural cooperatives. We still have the same basics in our 1976 agricultural cooperatives that we had 40 years ago, but like the tractor it has been necessary for agricultural cooperatives to adjust, change, develop market power and grow in size and scope in order to be an effective tool for modern farmers. Agricultural cooperatives still maintain the basic principles of: democratic control, so that people rather than dollars control; limited interest on equity capital, so the savings of the cooperative will be returned to the user rather than the investor; and operation at cost, which means that they price their services and/or products competitively and at the end of the business year if the cooperative has savings, they will be refunded savings to those who patronize the cooperative, or if the cooperative has not charged enough margin to cover the costs of operation, the users will be asked to pay their share of the loss so that each year their cooperative breaks even.

Today's agricultural cooperatives like the tractor and other agricultural tools are larger and so constructed to serve today's needs, not the needs of yesteryear. As tractors took on more of the farmers work, they required more fuel, more skill and more maintenance. As cooperatives take on more of the farmers work and services, they, too require more capital, more operating skill and yes, more maintenance.

Today's cooperatives and today's tractors require skilled operators. Each of these tools of modern agriculture are more effective and sophisticated than they were last year. The operators of each tool must know its capabilities and how best to employ it. The farmer must keep his tractor and cooperative both in top performance condition if it is to serve him when he needs it.

The operators of the cooperative--the Board of Directors, the manager, and the employees--must know the capabilities and limitations of the cooperative if it is to effectively serve today's farmer. Like the tractor

operator, they must be trained to perform their tasks in a responsible manner.

Some farmers may prefer to farm without their cooperative. This may be because they have never been taught how they can use their cooperative to improve their net income. Often some farmers fail to realize that those who own the cooperative do not buy from or sell to THE cooperative but use it as a tool and sell their farm production through or purchase supplies through THEIR cooperative. Farmers cannot afford to own a tractor and let it sit in the shed while they hire their neighbor to plow for them--neither can they treat their co-op as a spare and use it only 75 percent of the time. Oh yes, the farmer has some new regulations about tractors. They are: child labor laws, roll bars, etc., and not to be left out OSHA, EPA, IRS, SEC, etc. have been applied to the cooperative.

With this brief overview of farmer cooperatives as I see them, I hope I have given you some indication of my views of cooperatives. I see cooperatives as a part of the farmer's total production and marketing activities. Cooperatives have come of age. They are big business but still they are only the launching pad for "blasting off" to greater service for farmers and consumers.

For too many years the teaching of cooperative members, cooperative employees, and the public about cooperatives, what they are, how they can operate, and what they can and cannot do has been neglected. Too often, new employees of cooperatives have been given little or no instruction about cooperatives as a unique way of doing business in our competitive economy and often these employees because of their academic training based on investor-oriented business do not know the unique characteristics of cooperatives and have attempted to direct and operate a cooperative the same as an investor-oriented business. Many of these well-meaning but misdirected efforts have resulted in disaster to the individual and the cooperative and thus the unfavorable press and unfavorable attitude toward cooperatives by employees of IRS, SCS, Justice, etc. Yes, cooperatives must be operated with many of the same management and business principles as other types of businesses but within the unique characteristics of cooperatives. Cooperatives are people, and people differ one from another. There are some similarities between cooperative organizational structure and practices of like cooperatives in such broad classifications as bargaining, farm supply, credit, rural electric, savings and loan, marketing, etc., but there are greater differences as to how each classification of cooperatives meets the three basic principles of cooperation: (1) Operations at cost, (2) Democratic control, and (3) Limited return on equity capital.^{1/}

Some of you have had extensive academic training in cooperatives. Others of you may not have any academic exposure and little formal education about cooperatives. Some of you may have had considerable

^{1/}Farmers Cooperative Service, Bulletin No. 1, Washington, D.C., Page 6.

experience in working for a cooperative. If I were to ask each of you to write how your cooperative meets the three basic principles of cooperatives, what would you write? I'm certain that if we were to compile your reports, we would have a wide range of methods all of which would come under the three basic principles of cooperation. For example, just exactly how does your cooperative operate at cost? Does it pay or allocate a cash patronage refund? If your co-op pays a patronage refund, does it pay it to members only or does it also pay it to non-members? Or does it just reduce the cost of the products it sells so it will break even at the end of the year? Does your co-op give its profit or savings to the University for research, scholarships, use it to finance social reform, to finance urban cooperatives, or use it to cure the popular disease called "social responsibility." Or does your co-op pay taxes on its profits and keep what's left? What is capital credit, a letter of advice, a certificate of indebtedness, etc." How do you answer your owners who say why do you make us pay income taxes on your earnings when the PCA and REC don't?

I have always been impressed with how cooperative leaders differ in their philosophy and viewpoints about cooperatives from one geographical area to another across our United States. In Ohio, federated cooperatives are most popular.

Some anti-cooperative individuals in Justice, ICC, SEC, etc., see the tremendous power farmers could have if they were to put all their business through their cooperatives. The questions raised and remedies leaked by these agencies and departments are often so unreal to many of us that we assume they will go away. But threats such as limits on the size of cooperatives, no marketing agencies in common, a narrow definition of marketing, and all co-op paper including patronage dividends having to be registered with SEC appear to be real. The issue appears to me to be are farmers going to continue to be intimidated or can they prevent the further eroding of their rights as established by the legislative process to have a hand in the inputs and outputs of their farm. Are you prepared to lead your co-op board and members?

When we say that a cooperative is an extension of the farm, we are simply saying that the cooperative is a form of vertical integration. Farmers join together in associations to permit them to extend their operation beyond their farm fences into marketing their own products, or manufacturing or securing inputs and services for their farming operation.

Do your employees understand cooperatives? How do they answer the question what is a cooperative? Some of you may have had an IRS classification called "exempt." I hope your employees know what this means and are not saying we are no longer tax exempt and are now paying taxes. Cooperative taxation is just an example of how we in cooperatives have not been telling our owners, employees and the public what a co-op is.

I encourage you to arrange for each of your employees and your board to see the two new AIC films--"How People Do Business in Our Democracy" and "Capper-Volstead--A Legislative Foundation for Agricultural Cooperation."

Once we understand what it is we are managing we are ready to move to my second point, "the principles and techniques of management."

There are many definitions of management. A few are:

- The attempt to achieve a goal through the guided efforts of others.
- The establishment and the achievement of objectives.
- Management is the work of executive leadership.
- Management is the determining of objectives and achieving these objectives with a group of people.

The one that I like is, getting things done through the effort of people.

What is it you want to get done or accomplish? In other words, what is the objective of your cooperative?

If I were to ask the members of your board what is the objective of the cooperative, would the answer be the same as yours? How about that new truck driver or the good-looking bookkeeper that everyone wants to talk with? I hope your answer is yes.

Too often when new members are elected to the board or new employees are added, cooperative managers don't take time to prepare them to do the job we expect of them.

I see a cooperative manager as a problem preventer rather than a problem solver. To be a problem preventer, one must in addition to understanding the limits and opportunities of his co-op know what is supposed to be happening.

The competitiveness of today's economy, the high cost of money and labor, and new regulations of EPA and OSHA does not allow sufficient time and latitude for acquiring management knowledge and skills on the job by trial and error.

The magnitude of the risks that can result from mismanagement is so great that management by intuition and magic machine is not a reality. Electronic data processing can be a valuable tool for managers to use to discharge their responsibilities but computers cannot manage a co-op.

Management of agribusiness firms is continually becoming more complex. Economic integration, the combining of economic functions, shortages, allocations, the cost of money, environmental controls and employment regulations have suddenly become common place in our competitive economy. The necessary increased size and complexity of the firm that is required for it to compete or exist in today's climate creates new problems for which we have no previous data or experience in such matters as: financing, production, staffing, reporting, controlling and public relations.

The role of the cooperative manager differs from that of the manager of an investor-oriented firm. You have as your board, full-time farmers

whose primary objective is to make a living farming. Unlike professional directors these farmers do not have the time or people available to perform all the research or homework required of professional directors. Yet they are competing with professional directors. Co-op managers must assist their farmer board members to prepare themselves to discharge their responsibilities as co-op directors effectively.

A Board of Directors is a governing body legally created by the laws of the state and the corporate papers of the organization and by these legal documents it is given the authority to exercise the power of the corporation, limited only by conditions set forth in the corporation's bylaws.

The Board of Directors is not only charged with the responsibility for exercising all the authority of the corporation, its management, the safeguarding of its assets and the conduct of its business--the Board of Directors is in fact, the only group of persons in whom this authority is vested.

It is the abilities of the men who make up the Board of Directors that is the real decisive factor in the growth and accomplishments of any organization.

It must always be remembered that the Board of Directors decisions are group decisions. It is necessary that each director have knowledge of the corporation's business, its opportunities and limitations and of conditions affecting its operation.

To summarize, I said in the beginning that we were living in a time of changing facts. For example, in the past we in co-ops said to be big was bad. Now, we find ourselves in an economy where co-ops must be big to compete. We discover our customers are young farmers who have never farmed without a co-op. We have new employees who must be trained to operate the co-op and answer the questions of the co-op owners. As new members join the board they must be prepared to operate the cooperative in a legal, effective and efficient manner. The efforts of the owners, board, manager and employees must all be directed toward a common objective with board, manager and employees not only knowing where they are going, but also knowing who has responsibility for what. Once this has been accomplished the board and manager can turn their efforts to being problem preventers and prepare policies that can direct the efforts of all toward the objective of the co-op.